

City of Durham, North Carolina



CIP

Capital  
Improvement  
Program

FY 2005 - 2010





# Capital Improvement Plan FY 2005 - 2010

*City of Durham, North Carolina*





**MAYOR**

William V. "Bill" Bell

**CITY COUNCIL**

John P. Best, Jr.

Eugene A. Brown

Diane Catotti

Howard Clement, III

Cora M. Cole - McFadden

Thomas A. Stith, III



**CITY MANAGER**

Marcia L. Conner

**CIP ADVISORY COMMITTEE**

**CIP COORDINATOR**

**Alicia M. Middleton**, *(Acting) Senior Budget and Management Analyst*

**Julie M. Brenman**, *Budget and Management Services*

**Darrell Crittendon**, *Parks and Recreation*

**Bonnie Estes**, *City-County Planning*

**Don Greeley**, *Public Works*

**Mark Greenspan**, *General Services*

**Thomas W. Glenn**, *Water Management (formerly ERD)*

**Elizabeth Partin**, *Budget and Management Services*

**June Stilley**, *Finance*

**Major C.M. Tiffin**, *Police*

**Al Walker**, *Finance*

**Ted Voorhees**, *City Managers Office*

**BUDGET AND MANAGEMENT SERVICES**

**Christina Cates**, *Senior Budget and Management Analyst*

**Danial Morris**, *Senior Budget and Management Analyst*

**Roberta E. Bibby**, *Budget and Management Analyst*

**Anna Kung**, *Budget and Management Analyst*

**Sharon B. DeShazo**, *Administrative Assistant*

*Printing and Duplication by  
The Printshop Division  
of the Finance Department*



## **City Vision Statement**

Durham will be North Carolina's leading City in providing an excellent and sustainable quality of life.

## **City Mission Statement**

The City of Durham is dedicated to improving the quality of life in our community by delivering cost-effective, highly responsive services with integrity and friendliness.

## **Council Goals**

- All Durham citizens are safe.
- Every citizen in Durham has access to adequate, safe, and affordable housing.
- Durham enjoys a prosperous economy.
- Durham citizens enjoy a healthy environment.
- Durham citizens enjoy sustainable, thriving neighborhoods with efficient and well-maintained infrastructure.
- Durham citizens enjoy a City rich in aesthetic beauty.
- Durham citizens enjoy a vibrant City that embraces and promotes its cultural diversity and heritage.
- Durham citizens enjoy an efficient and accountable City government.

## **About The Cover**

The cover depicts different ways your tax dollars can be seen at work within the City of Durham. The City is responsible for ensuring that the infrastructure is solid. The photos display City of Durham workers diligently providing services for the citizens of Durham, North Carolina. The photographs are provided by Kim Walker of Public Affairs.

---

## **CITY OF DURHAM**

### **CAPITAL IMPROVEMENT PROGRAM PROCESS**

---

The Capital Improvement Program (CIP) is a statement of the City of Durham's policy regarding long-range physical development. It is vital to the City because it is the principal planning tool designed to achieve urban growth and development. This plan is developed for a six-year period and is updated and revised annually. To be included in the CIP, the project requires a total expenditure of at least \$100,000 and a useful life of at least 10 years.

By providing a planned schedule, cost estimates, and location of public sector improvements, the Capital Improvement Program provides private sector decision makers with valuable information upon which to base investment decisions. It also provides local elected officials and the public with valuable information concerning proposed public facilities and their associated costs. Ultimately, this coordination of orderly and efficient programs of private and public investment will benefit the City.

---

#### **CIP Preparation**

As the result of a challenging budget year during FY 2003, wherein Governor Mike Easley declared a state of fiscal emergency and froze shared municipal revenues to help balance the state's budget, the City of Durham decided to decrease several CIP funding sources to balance the FY 2003 municipal budget. Unfortunately, the FY 2004 budget was also difficult and CIP funding sources were very limited. Due to the limited funding for CIP projects over the past few years and the large number of projects submitted in FY 2005 for capital improvement, the CIP process underwent a face lift.

The revised FY 2005 process included the use of a CIP Advisory Committee, a Grading Team, and an inaugural Citizen CIP Advisory Panel. The CIP Advisory Committee was assembled from across the organization and charged with individually and collectively ranking projects using an objective scoring method and assessment tool. The Grading Team was comprised of CIP Advisory Members in addition to staff members from across the organization with no project connections. The Citizen CIP Advisory Panel was composed of business and community leaders appointed by the City Manager to assist in project evaluation and selection.

The Budget and Management Services Department (BMS) initiated the CIP process by soliciting proposals from department heads for capital project needs within the scope of their operations. The CIP Advisory Committee helped to identify the large number of projects needed, and placed an emphasis on maintenance and repair needs citywide. The City/County Planning Department also reviewed projects for coordination with adopted City Plans. BMS then assembled the Grading Team to provide objective grading of each project using department-submitted project descriptions as a basis for evaluation. BMS used the Grading Team as a measure for public comprehension and perception of project requests; if staff did not understand or agree with the request, then more than likely the average citizen would not understand or agree with the request.

With the Grading Team's assessments in hand, BMS worked with the City Manager to assemble the Citizen CIP Advisory Panel. The purpose of the panel was threefold:

1. To help city staff with the assembly and prioritization of capital improvement projects;
2. To advise the City Council of the CIP projects that best satisfy the City's ongoing needs; and,
3. To evaluate project financing options, including debt issuance for a possible general obligation bond referendum.

The recommendations of the CIP Advisory Committee, the Grading Team, and the Citizen Panel were then submitted to the City Manager, presented as the Preliminary Capital Improvement Program to the City Council, and revised and adopted by the City Council. At least one public hearing was conducted prior to approval.

Due to the recent history of limited funding for CIP projects, an exceptionally high number of projects were submitted for consideration. In order to continue moving projects forward, the FY 2005 Adopted Budget includes a two-cent increase in the property tax rate, dedicating one penny to debt service payments and the other penny to fund studies and deferred maintenance issues in the form of cash. Without the increase, the number of projects funded would be much smaller.

---

## **Goals of the CIP**

The CIP is prepared with the guidance of two major goals:

1. ***To address the City's immediate and long-term capital needs***, especially those related to:
  - A. Maintaining the existing infrastructure in order to protect the City's investment.
  - B. Expanding the tax base in a way that will benefit both new and existing citizens.
  - C. Managing and encouraging orderly growth in compliance with the Comprehensive Plan.
  - D. Providing city services in the most efficient and safe manner.
  - E. Maintaining and improving the quality of life in a way that enhances the perception of the community by citizens and potential investors.
2. ***To explore all feasible funding sources (as time and resources permit) in order to finance the City's capital needs.***

The CIP is also prepared with the guidance of the eight Council goals that have been adopted by the City Council:

- All Durham citizens are safe.
- Every citizen in Durham has access to adequate, safe and affordable housing.
- Durham enjoys a prosperous economy.
- Durham citizens enjoy a healthy environment.
- Durham citizens enjoy sustainable, thriving neighborhoods with efficient and well-maintained infrastructure.
- Durham citizens enjoy a city rich in aesthetic beauty.
- Durham citizens enjoy a vibrant city that embraces and promotes its cultural diversity and heritage.
- Durham citizens enjoy an efficient and accountable city government.

---

## **Funding Priorities**

Projects with the following characteristics are given priority for funding:

- Mandated by law or formal council policy.
- Currently funded or for which specific funding sources are available.
- A separate but integral part of another project - a project whose exclusion from this CIP diminishes the effectiveness of another project.
- Essential to the implementation of programs previously adopted by Council, such as the Comprehensive Plan and Downtown Plan.
- Addresses a particular risk to public safety or health.
- Deemed necessary in order to provide similar services to annexed areas.
- Furthers the City's goals of orderly growth as set forth in the City's Comprehensive Plan.
- Totally self-supporting.
- Takes advantage of opportunities which exist now but would not be available at a later date.
- Results in more economical, efficient, or effective delivery of city services. Such projects include those that may have multiple uses or take advantage of multi-jurisdictional participation.
- Maintains or enhance existing city property.
- Promotes economic development of our community.

---

## **Relationship of the CIP to the Operating Budget**

The operating budget and the CIP are closely related. The CIP is a plan that matches the City's major capital needs with the financial ability to meet them. As a plan, it is subject to change. However, a sound and reliable CIP is critical to maintaining the good financial health of the City.

CIP projects that are proposed to be funded via the General Fund or the Water and Sewer Fund are intended to be included in the Annual Budget in the appropriate year(s). Even so, because circumstances may change between the adoption of the CIP and the Annual Budget, CIP projects must be resubmitted as part of each department's annual budget request. Funds for such projects are not available unless and until they are included in the Annual Budget approved by the City Council.

In all likelihood, the completion of capital projects will impact the department's operating budget as projects are completed and require maintenance and upkeep. Also, some facilities may require additional utilities, such as electricity and water, above current consumption levels. That impact may not be readily evident when projects are funded and are constructed over several years. Consequently, the impacts of capital projects on the annual operating budget are estimated when available and noted in the CIP under each project. Most projects will not have an operating impact in the year during which they are funded.

---

## **Relationship of CIP to Implementation of Planning and Growth Management Policies**

It is essential that CIP project proposals support, rather than contradict, plans and policies previously adopted by the City Council in order to coordinate and direct the physical development of the City. In evaluating each CIP proposal, particular attention is given to the conformity of proposals with the Comprehensive Plan, the City's broadest overall policy and planning tool for managing growth.

---

## Financial Assumptions

The FY 2005 – 2010 CIP is based on a number of financial assumptions as described below:

- a. The CIP assumes that the property tax rate is increased by two cents, with the revenue generated by the tax dedicated to capital improvement and maintenance projects.
- b. The CIP assumes the use of installment sales financing for a debt service payment of approximately one penny on the tax rate to fund a variety of projects including major repairs.
- c. Generally, the CIP assumes the dedication of investment income toward general capital projects. The City Council adopted a resolution as a part of the FY 1994 Budget that dedicated all investment income derived by the General Fund and the Capital Projects Fund to the Capital Projects Fund. We assume this investment income to grow at a 1% rate during the course of the CIP planning period. However, during recent years, the investment income has been needed to balance the General Fund base budget and has not been available for capital project funding.
- d. For FY 2005 water and sewer projects, the City will use the Water and Sewer Operating, Construction, and Fund Balance funds for capital projects. The remaining future projects have been built into the proposed rate model increase.

---

## Category Highlights

Highlights of this year's CIP are outlined below by category:

- I. Culture and Recreation. Projects in this category are related to enhancing the cultural and recreational opportunities for city residents, including open space and greenways, parks and playground renovations, pool replacement, and construction of new parks and playgrounds. The 1996 Bond Referendum for Culture and Recreation Projects was approved for \$20,375,000.
- II. Downtown Development. Projects in this category provide for the revitalization and enhancement of Downtown Durham, including street improvements and construction and renovation of parking decks.
- III. General Services. Projects in this category are related to the construction, maintenance or expansion of many city buildings and facilities. Projects included in this area are not necessarily the result of the Department of General Services, but more of a 'catch-all' category for miscellaneous projects that appear from time to time.
- IV. Housing and Neighborhood Revitalization. This category includes all City of Durham efforts to improve housing and neighborhood redevelopment projects. The City's affordable housing program is the sole project in this category. Voters approved a \$15 million general obligation bond package for affordable housing in 1990 and a \$20 million bond package in 1996.
- V. Public Protection. Projects in this category will enhance the City's ability to protect lives and property through police and fire services, including technology and strategically located and well-maintained facilities.



- VI. Transportation. Projects in this category provide for street, thoroughfare, sidewalk, and mass transit improvements. Transportation projects are intended to construct new infrastructure or make significant improvements to the City's roadway and sidewalk network. The 1996 general obligation bond package included \$35,245,000 for street, thoroughfare, and sidewalk improvements. An additional \$5,165,000 is available for mass transit improvements.
- VII. Water. Projects in this category are related to the expansion, maintenance, or improvement of the City's water treatment and distribution system. Improvements made to the water treatment and distribution system were substantially funded by revenue bonds in the prior years. Funding for projects this fiscal year will come from the Water and Sewer Construction Operating Fund, water and sewer operating revenues and Water and Sewer Fund balance.
- VIII. Wastewater. Projects in this category are related to the expansion, maintenance, or improvement of the City's sanitary sewer collection and treatment system. Improvements made to the sewer collection and treatment system were substantially funded by revenue bonds. Funding for projects this fiscal year will come from the Water and Sewer Construction Operating Fund, water and sewer operating revenues and Water and Sewer Fund balance.
- IX. Stormwater. Projects in this category are designed to address and improve stormwater flow throughout the City. Projects generally are sponsored by the Department of Public Work's Stormwater Division, and capture the City's efforts to correct sustained damage resulting from defective and malfunctioning city lines.

---

## **Revenue Sources**

The City of Durham uses many revenue sources to finance capital projects. The planned uses of these sources are reflected in the FY 2005 – 2010 Capital Improvements Program. The following describes the City's major revenue sources:

### ***"Pay-As-You-Go"***

This funding source originates from revenue generated from the General Fund and the Capital Projects Fund, or from enterprise fund appropriations made in the City's annual operating budget. Typically, these appropriations are transferred to the Capital Projects Fund for accounting purposes if the project period lasts more than one fiscal year. CIP projects that are proposed to be funded via the annual operating budget are intended to be included in the Annual Budget in the appropriate year. Funds for such projects are not available unless and until they are approved by the City Council.

### ***General Obligation Bond***

The City may borrow money from lenders, pledging the full faith and credit of the City to pay the loan through property tax revenue. This method generally requires both the approval of voters through a referendum and the approval of the Local Government Commission.

The City's voters approved referenda during May 1986, November 1990, and November 1996 to finance capital projects with general obligation bonds. The City sells general obligation bonds once a year to pay for expenses associated with capital projects. Bond sales are expected to be held in January of each year. The City manages its general obligation debt through the use of bond anticipation notes to ensure that we do not incur debt service earlier than necessary and to avoid arbitrage problems. In 2004, the City issued \$10 million in additional general obligation debt under the two-thirds rule.

### ***Revenue Bond***

The City may borrow money from lenders, pledging the revenues from projects that will generate the revenue to pay the debt. Because of the nature of the security, revenue bonds do not require voter approval. Like general obligation bonds, the City sells revenue bonds once a year to pay for expenses associated with capital projects.

### ***Installment Sales***

The City may enter into an installment sales (“Certificates of Participation”) contract for a building or for equipment using that building or equipment to secure the financing, similar to a mortgage transaction. The City does not pledge the use of its taxing power to pay the contract. The Local Government Commission must approve the use of installment sales contracts.

### ***Impact Fees***

Impact fees are one-time charges levied against new development based on the impact on city infrastructure as determined by the land use of the project. The impact fees will be used as a funding source for a proportionate cost of capital facilities and land made necessary by new construction. Impact fees cannot be used for routine or periodic maintenance, administration of the impact fee program, or improvements made to the existing infrastructure where the improvements are not related to new development.

The fees are collected in three zones for streets, parks and recreation facilities, and open space land: Zone 1 (Southwest Durham), Zone 2 (East Durham), and Zone 3 (North Durham). Impact fees will be used only to serve the zone where the fees were collected. The revenue must be spent within ten years; the expenditure of this revenue is programmed with the CIP cycle.

### ***Intergovernmental Revenues***

This category of revenues identifies funding from Durham County, the State of North Carolina, and the Federal Government. The funding sources include the State's revolving loan fund for wastewater treatment plants, state and federal funding for transportation and transit-related improvements, and county funding for the Carolina Theatre or Civic Center.

# CITY OF DURHAM

## CAPITAL IMPROVEMENT PROGRAM

### FY 2005 - 2010 CAPITAL IMPROVEMENT PROGRAM SUMMARY

#### SUMMARY BY PROJECT CATEGORY

Category	Prior Years	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	FY2008-09	FY2009-10	Total Request
Culture and Recreation	35,957,352	3,920,498	30,148,316	5,108,443	1,913,643	41,171,751	2,388,523	120,608,526
Downtown Revitalization	27,579,912	450,000	12,300,000	1,000,000	1,000,000	79,947,150	1,000,000	123,277,062
General Services	8,109,808	5,499,360	20,300,092	7,516,356	4,261,287	13,662,714	1,711,211	61,060,828
Housing & Neighborhood	37,795,853	7,500,985	1,777,645	801,267	125,000	-	-	48,000,750
Public Protection	3,777,500	6,083,794	13,286,159	1,757,308	339,260	3,300,420	291,127	28,835,568
Technology	6,569,855	-	-	-	130,000	750,000	-	7,449,855
Transportation	70,943,944	5,542,400	34,572,737	530,770	540,318	51,310,456	560,282	164,000,907
Water	48,892,153	2,250,000	16,600,000	25,400,000	22,300,000	43,700,000	36,200,000	195,342,153
Wastewater	28,083,540	2,250,000	17,500,000	9,200,000	8,000,000	9,000,000	8,000,000	82,033,540
Stormwater	-	1,675,000	1,675,000	1,675,000	1,675,000	1,250,000	1,250,000	9,200,000
<b>TOTAL</b>	<b>\$ 267,709,917</b>	<b>\$ 35,172,037</b>	<b>\$ 148,159,949</b>	<b>\$ 52,989,144</b>	<b>\$ 40,284,508</b>	<b>\$ 244,092,491</b>	<b>\$ 51,401,143</b>	<b>\$ 839,809,189</b>

#### SUMMARY BY REVENUE SOURCE

Source	Prior Years	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	FY2008-09	FY2009-10	Total Request
<b>"PAY-AS-YOU-GO"</b>								
Investment Income	2,984,541	-	-	342,000	-	-	-	3,326,541
Stormwater Fund	-	1,675,000	1,675,000	1,675,000	1,675,000	1,250,000	1,250,000	9,200,000
Capital Projects Fund	6,085,679	2,480,400	130,000	-	130,000	195,000	-	9,021,079
General Fund	884,058	-	-	-	-	-	-	884,058
Transit Fund	-	-	-	-	-	-	-	-
Water-Sewer Fund	18,002,455	2,600,000	-	-	-	-	-	20,602,455
W-S Construction Fund	7,838,861	1,900,000	-	-	-	-	-	9,738,861
<b>Subtotal</b>	<b>35,795,594</b>	<b>8,655,400</b>	<b>1,805,000</b>	<b>2,017,000</b>	<b>1,805,000</b>	<b>1,445,000</b>	<b>1,250,000</b>	<b>52,772,994</b>
<b>GENERAL OBLIGATION BONDS</b>								
1986 Bonds	374,500	-	-	-	-	-	-	374,500
1990 Bonds	20,341,572	-	-	-	-	-	-	20,341,572
1996 Bonds	66,290,099	7,243,207	1,502,645	-	-	-	-	75,035,951
2004 2/3rds Bonds	9,866,000	-	-	-	-	-	-	9,866,000
2005 Bonds (proposed)	-	-	101,232,804	-	-	-	-	101,232,804
Future Bonds	-	-	-	14,833,023	7,157,079	184,478,227	5,390,861	211,859,190
<b>Subtotal</b>	<b>96,872,171</b>	<b>7,243,207</b>	<b>102,735,449</b>	<b>14,833,023</b>	<b>7,157,079</b>	<b>184,478,227</b>	<b>5,390,861</b>	<b>418,710,017</b>
<b>REVENUE BONDS</b>								
Current	19,264,037	-	-	-	-	-	-	19,264,037
Proposed	3,000,000	-	28,800,000	28,900,000	24,800,000	52,700,000	44,200,000	182,400,000
<b>Subtotal</b>	<b>22,264,037</b>	<b>-</b>	<b>28,800,000</b>	<b>28,900,000</b>	<b>24,800,000</b>	<b>52,700,000</b>	<b>44,200,000</b>	<b>201,664,037</b>
<b>INSTALLMENT SALES</b>								
Current	49,695,627	-	-	-	-	-	-	49,695,627
Proposed - 2004	-	12,519,002	-	-	-	-	-	12,519,002
Proposed - Future	2,300,000	-	13,570,000	5,954,111	5,754,111	419,111	-	27,997,333
<b>Subtotal</b>	<b>51,995,627</b>	<b>12,519,002</b>	<b>13,570,000</b>	<b>5,954,111</b>	<b>5,754,111</b>	<b>419,111</b>	<b>-</b>	<b>90,211,962</b>
<b>IMPACT FEES</b>								
Parks and Recreation	5,097,696	150,000	51,500	147,487	51,500	-	-	5,498,183
Open Space	1,350,682	324,014	-	-	-	-	-	1,674,696
Streets	16,782,031	4,272,400	521,500	530,770	540,318	550,153	560,282	23,757,454
<b>Subtotal</b>	<b>23,230,409</b>	<b>4,746,414</b>	<b>573,000</b>	<b>678,257</b>	<b>591,818</b>	<b>550,153</b>	<b>560,282</b>	<b>30,930,333</b>
<b>INTERGOVERNMENTAL REVENUE</b>								
Durham County	-	-	-	-	-	-	-	-
NC DOT Grant	6,439,104	-	-	-	-	4,500,000	-	10,939,104
NC Parks & Rec Grant	531,695	50,000	-	-	-	-	-	581,695
CDBG	33,000	-	350,000	-	-	-	-	383,000
Federal Match / Grants	13,110,973	1,181,000	-	-	-	-	-	14,291,973
<b>Subtotal</b>	<b>20,114,772</b>	<b>1,231,000</b>	<b>350,000</b>	<b>-</b>	<b>-</b>	<b>4,500,000</b>	<b>-</b>	<b>26,195,772</b>
<b>MISCELLANEOUS REVENUE</b>								
Program Income	5,845,724	-	-	-	-	-	-	5,845,724
Land Sale / Contribution	499,024	225,000	275,000	164,374	-	-	-	1,163,398
Payment In Lieu	18,000	369,236	51,500	147,486	51,500	-	-	637,722
Private Contributions	2,657,779	150,000	-	-	-	-	-	2,807,779
Loan Repayments	8,393,248	32,778	-	256,317	125,000	-	-	8,807,343
Rental Income	23,532	-	-	38,576	-	-	-	62,108
<b>Subtotal</b>	<b>17,437,307</b>	<b>777,014</b>	<b>326,500</b>	<b>606,753</b>	<b>176,500</b>	<b>-</b>	<b>-</b>	<b>19,324,074</b>
<b>TOTAL</b>	<b>\$ 267,709,917</b>	<b>\$ 35,172,037</b>	<b>\$ 148,159,949</b>	<b>\$ 52,989,144</b>	<b>\$ 40,284,508</b>	<b>\$ 244,092,491</b>	<b>\$ 51,401,143</b>	<b>\$ 839,809,189</b>